

II. Recent Development in Neighborhood Business Districts

A. Introduction

Between 1995 and 2002, Seattle experienced a boom in development. Demand for both housing and commercial space grew along with high tech businesses and the number of national and international publications extolling Seattle's character. Downtown Seattle was the primary recipient of that growth, as the heart of the city grew by over 4,500 households and 30,000 jobs. Other areas that saw growth include major institutions (hospitals and universities) and industrial areas. However, much of the City's growth also occurred in its neighborhood business districts, outside of Downtown (the neighborhood commercial and general commercial zones.) These areas accommodated almost 5,000 new housing units or 25% of the City's growth. These areas, which encompass only 8% of the City's land area, also accommodated 28% of the City's job growth (over 20,000 jobs) between 1995 and 2001.

During this period, over six million square feet of commercial space was built in the City's neighborhood business districts, much of it in large office and hotel projects in the neighborhoods surrounding downtown. Projects in neighborhood business districts vary widely, ranging from 475 square foot espresso stands to the 300,000 square foot Northgate North project.

In the future, growth is likely to continue to be concentrated in the City's commercial zones. Approximately half of the City's capacity for new job growth is on commercially-zoned sites, and forty percent of new residential units could be located in the city's neighborhood business districts.

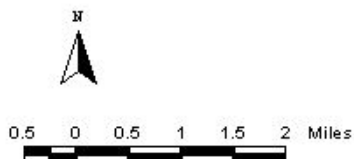
This section provides a snapshot of development over the last ten years in Seattle's neighborhood business districts by zoning category.



Construction of a mixed-use project in the Uptown Urban Center (NC3-40)

Neighborhood Commercial 1 Zones Projects Built 1995-2003

- Projects Completed 1995-2003
- NC1 Zones



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B. Neighborhood Commercial 1

The Neighborhood Commercial 1 zone is the least intensive of the City's commercial zones. They are generally small corner commercial districts scattered through the City's residential neighborhoods, mostly outside of urban villages. There are approximately 136 acres of NC1 zoned parcels in Seattle, over half of which have 30 foot height limits, the rest of which are zoned with 40 foot height limits.

New Construction

Between 1995 and 2002, 31 projects were built in the NC1 zone. These projects were built on 6.7 acres, approximately 5% of all of the parcel area zoned NC1. Most of these projects were mixed-use projects with a combination of residential and commercial uses. The one single-purpose residential structure that was built was a single-family house on a lot with split commercial and multifamily zoning. Commercial projects ranged from strip retail centers to three-story office buildings. Mixed-use buildings range in size from one unit above a store to the Bowling Green, a 38 unit mixed-use building, with a range of retail spaces.

Employment

In 2001, there were approximately 4,750 covered jobs¹ located in NC1 zones, employed by 466 employers (an average of

10 employees per employer). Not surprisingly in a zone that is intended to provide retail goods and services to surrounding neighborhoods, retail and service employment accounted for most of the employment in the NC1 zone. Eating and drinking establishments and health services were the most prevalent category of businesses. The Health Services industry has been the fastest growing employment sector in NC1 areas.

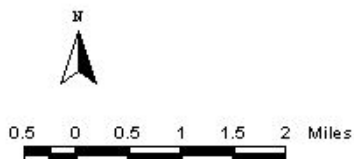
¹ Covered jobs refer to jobs covered by the state unemployment insurance program. This excludes a number of jobs, such as military and temporary employment. It also excludes the owners of businesses, which may result in an undercount of employment in areas with a lot of small businesses. This data, provided by the Washington State Employment Security Department and the Puget Sound Regional Council is the best available information on employment in Seattle.

Projects built in Neighborhood Commercial 1 zones 1995-2003

	Commercial-Only	Mixed-Use	Residential-Only	All Projects
Number of Projects	5	25	1	31
Commercial Square Feet	47,571	111,905	0	159,476
Residential Units	0	394	1	395
Parcel Area	41,664	247,987	3,003	292,654
Building Density (Gross FAR)	1.38	2.27	0.43	2.12
Residential Density (SF/Unit)	0	630	3,003	741

Neighborhood Commercial 2 Zones Projects Built 1995-2003

- Projects Completed 1995-2003
- NC2 Zones



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C. *Neighborhood Commercial 2*

Neighborhood Commercial 2 zones provide a range of needed goods and services to surrounding neighborhoods, and are generally larger than NC1 zoned areas. NC2 zones can be found throughout the City, often as the core business district in residential urban villages. There are approximately 487 acres of parcels zoned NC2, with 75% of those areas zoned with 40 foot height limits, and the rest split between 30 foot and 65 foot height limits.

New Construction

Between 1995 and 2002, 90 projects were built in the NC2 zone, on 34 acres or 7% of the total parcel area in the zone. Most of these projects were mixed-use buildings. The five single-purpose residential structures that were built included townhouses and small condominium projects. Commercial projects ranged from a 1,200 square foot plumber's shop to a 50,000 square foot grocery store. The least dense new projects were convenience stores and fast-food restaurants, which consumed one-tenth of their lot area. The densest was a four-story mini-warehouse. Mixed-use buildings range in size from one unit above a small ground floor commercial space to the 70-unit Towers on Greenwood, at the heart of the Greenwood Urban Village.

Employment

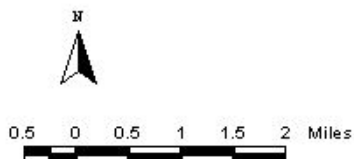
In 2001, there were approximately 20,500 covered jobs located in the NC2 zones, employed by 1,718 employers (an average of 12 employees per employer). As with the NC1 zone, retail and service employment accounted for most of the employment in the NC2 zone. Similarly, eating and drinking establishments and health services were the most prevalent business categories, and saw the most growth in employment between 1995 and 2002.

Projects built in Neighborhood Commercial 2 zones 1995-2003

	Commercial-Only	Mixed-Use	Residential-Only	All Projects
Number of Projects	32	55	2	89
Commercial Square Feet	437,430	341,004	0	778,434
Residential Units	0	1,293	3	1,296
Parcel Area	812,630	662,702	4,976	1,480,308
Building Density (Gross FAR)	0.60	2.99	1.40	1.67
Residential Density (SF/Unit)	0	513	2,333	1,142

Neighborhood Commercial 3 Zones Projects Built 1995-2003

- ☆ Projects Completed 1995-2003
■ NC3 Zones



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D. Neighborhood Commercial 3

Neighborhood Commercial 3 zones provide a range of needed goods and services to a citywide clientele. They are generally found at the heart of the densest commercial areas in the City, areas like Broadway, the University District and Uptown Queen Anne all have concentrations of NC3 zoning. There are approximately 840 acres of parcels zoned NC3, with 40% of NC3 areas zoned with 65 foot height limits, and the rest primarily split between 40 foot and 85 foot height limits. The NC3 zone is the only pedestrian-oriented commercial zone with areas zoned over 85 feet; approximately 35 acres are zoned for 125 or 160 foot buildings.

New Construction

Between 1995 and 2002, 99 projects were built in the NC3 zone. These projects were built on 80.3 acres, or 9.6% of NC3-zoned land. Of these projects, fifty were commercial-only projects, the rest contained residential units. The seven residential-only projects that were built were mostly townhouse projects, and included the Low Income Housing Institute's Denise Hunt Townhomes in Greenwood. The smallest and largest commercial projects were in Northgate and ranged from a 1,200 square foot service station on Northgate Way to the Northgate North (big box) retail project,

which includes over 350,000 square feet of retail space. The least dense new projects were gas stations. The densest new buildings were office buildings (Fisher Plaza buildings near Seattle Center and the 45th Street Plaza building in the University District) and hotels (The Mediterranean Inn in Uptown and the Silver Cloud Inn on Broadway). Unlike in the lower-intensity commercial zones, the densest buildings built in the NC3 zone were commercial-only projects. Mixed-use buildings range in size from a single small unit over a retail space to the 250-unit grocery store/residential project currently under construction at 23rd Ave. and Madison St.

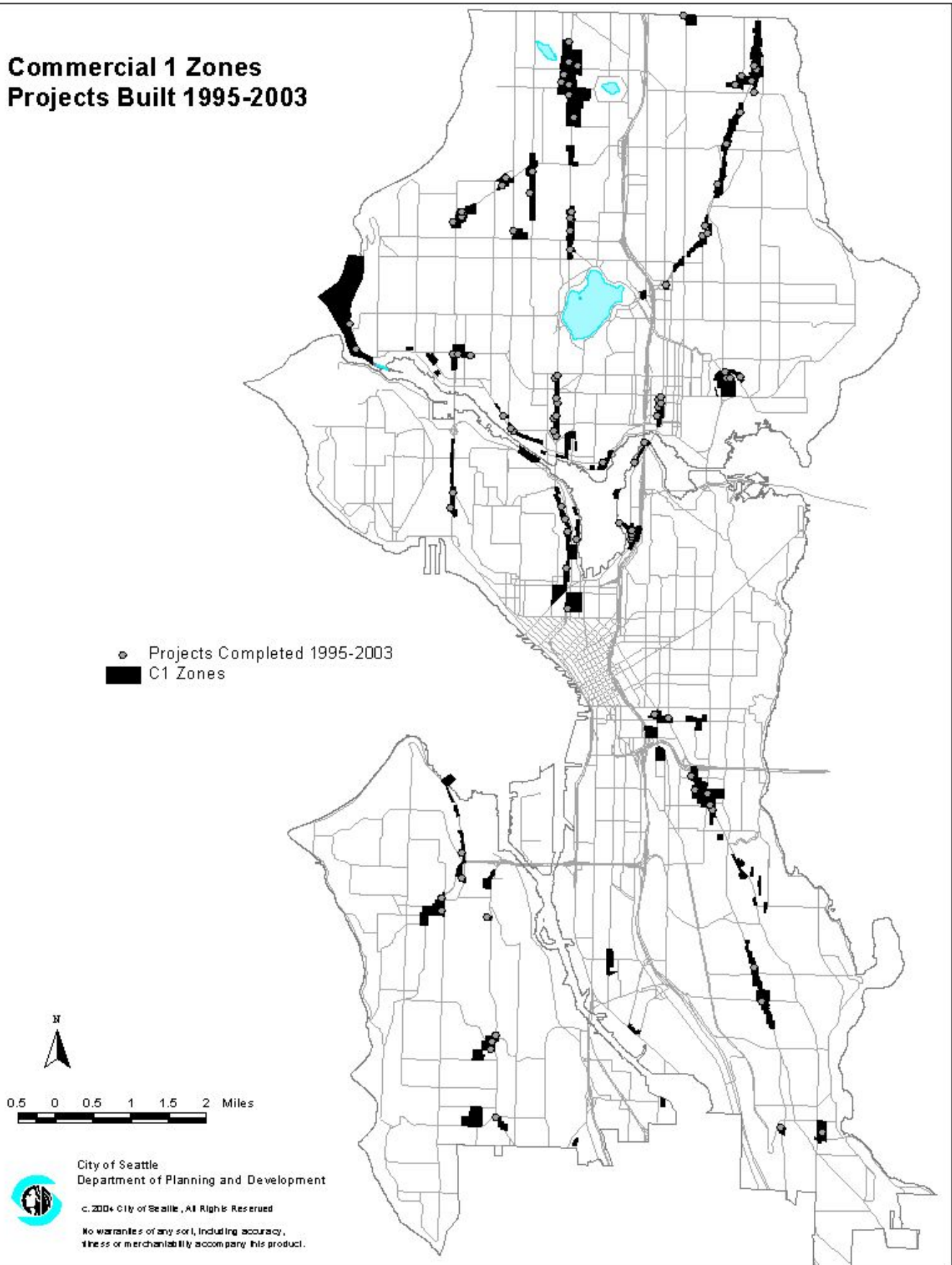
Employment

In 2001, there were approximately 54,000 covered jobs located in the NC3 zones, employed by 2,725 employers (an average of 20 employees per employer). Service employment accounted for half of the employment in the NC3 zone. After eating and drinking establishments, insurance carriers and business services establishments contained the highest number of jobs in the NC3 zones. As opposed to the NC1 and 2 zones, NC3-zoned areas have lost health services employment. Insurance and miscellaneous retail employment saw the biggest gains between 1995 and 2001.

Projects built in Neighborhood Commercial 3 zones 1995-2003

	Commercial-Only	Mixed-Use	Residential-Only	All Projects
Number of Projects	60	32	7	99
Commercial Square Feet	2,055,330	250,699	0	2,306,029
Residential Units	0	1,398	167	1,565
Parcel Area	2,768,611	638,721	91,083	3,498,415
Building Density (Gross FAR)	0.95	3.20	1.68	1.38
Residential Density (SF/Unit)	0	457	687	2,235

Commercial 1 Zones Projects Built 1995-2003



E. Commercial 1

Commercial 1 zones are generally auto-oriented retail business districts. They provide retail goods and services to a broad community, and are found in areas like University Village and at the west end of the West Seattle bridge. They are often at the center of hub urban villages, areas where increases in both jobs and housing are desired. There are approximately 988 acres of parcels zoned C1. 53% of C1 areas have 40 foot height limits, 42% have 65-foot height limits, and the rest are primarily split between 30 foot and 85 foot height limits. The Pacific Medical Center/Amazon building at the north end of Beacon Hill is zoned Commercial 1 with heights up to 160 feet.

New Construction

Between 1995 and 2002, 106 projects were built in the C1 zone. These projects were built on 8 percent of C1-zoned land, or 81 acres. Of these projects, 63 were commercial-only or institutional projects, the rest contained residential units. The 13 single-purpose residential structures that were built ranged from a townhouse project in Crown Hill to large apartment buildings above west Lake Union, and a retirement facility in West Seattle. Commercial-only projects ranged from a small workshop on north Greenwood Avenue (960 square feet) to the most recent additions to University Village (over 350,000 square feet, including an 800 stall garage). The least dense new

projects included the Krispy Kreme store on Aurora, with a Floor Area Ratio of .06. The densest new commercial buildings were office buildings along Westlake Avenue and Roosevelt Way, both of which are over 6 FAR, or 100 times as dense as the least dense projects. Mixed-use buildings range in size from a veterinary hospital with a caretaker's apartment, to the Solara project in Lake City, a 4 FAR, 240 unit mixed-use building.

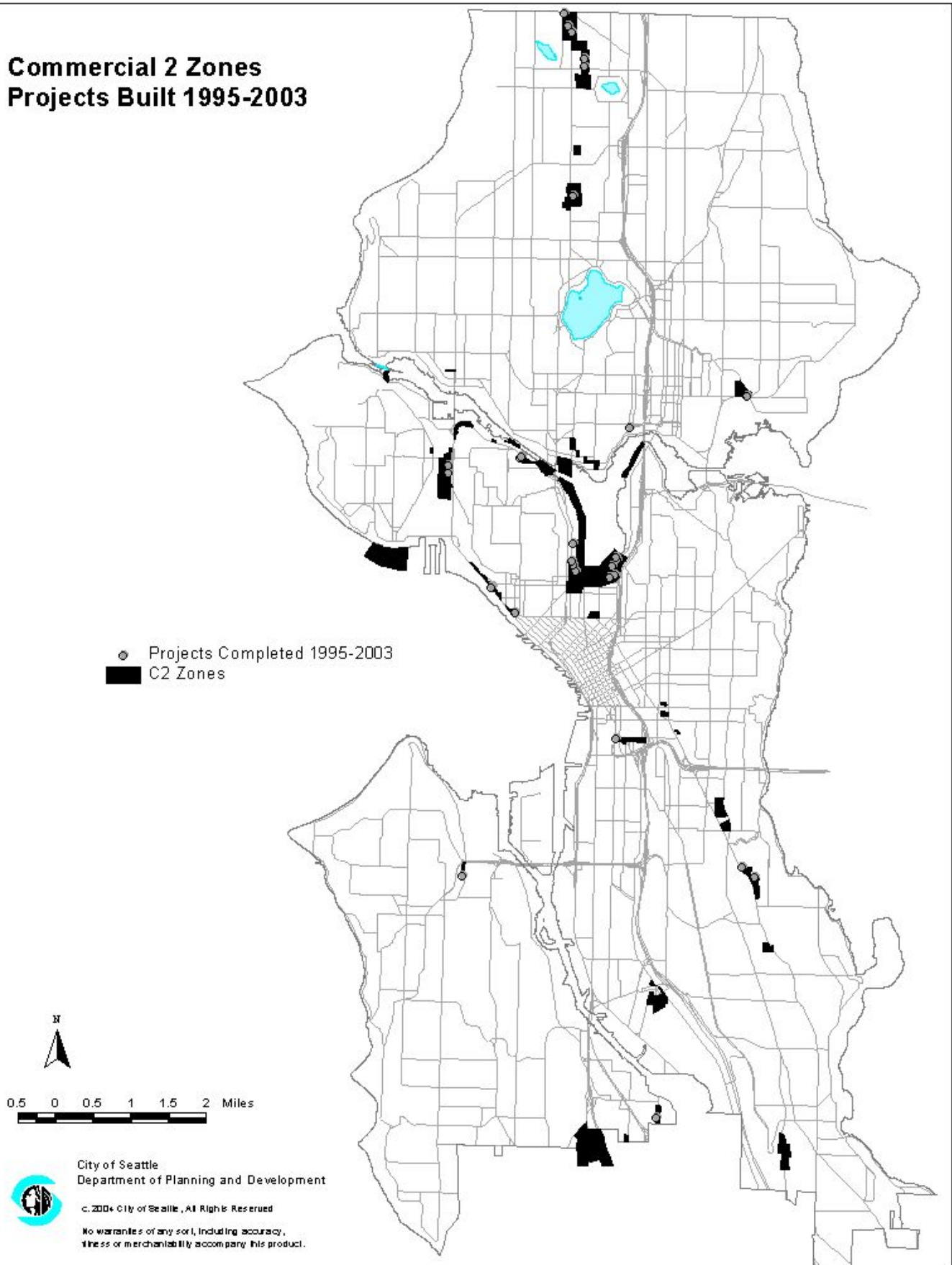
Employment

In 2001, there were approximately 34,000 covered jobs located in the C1 zones, employed by 1,488 employers (an average of 23 employees per employer). As with all of the commercial zones, service and retail are the largest sectors in the C1 zones. However, in C1 zones, miscellaneous retail employment is the top employment category. Miscellaneous retail includes businesses such as drug and liquor stores, florists, and "non-store retailers," which includes internet retailers. This industry saw the biggest gains in employment between 1995 and 2001. Business services is the second largest employment category, and saw the second largest amount of growth between 1995 and 2001.

Projects built in Commercial 1 zones 1995-2003

	Commercial-Only	Mixed-Use	Residential-Only	All Projects
Number of Projects	63	30	13	106
Commercial Square Feet	2,016,600	250,700	0	2,267,300
Residential Units	0	1,400	167	1,567
Parcel Area	2,783,000	660,600	91,000	3,534,600
Building Density (Gross FAR)	1.3	3.1	1.5	1.6
Residential Density (SF/Unit)	0	475	545	2,256

Commercial 2 Zones Projects Built 1995-2003



F. Commercial 2

Commercial 2 zones provide the widest range of commercial activities serving a citywide function. They are intended to be automobile-oriented areas, which are generally inconsistent with residential and office uses. There are approximately 684 acres of parcels zoned C2, with 52% of C2 areas zoned with 40 foot height limits, 44% with 65 foot height limits, and the rest primarily split between 30 foot and 85 foot height limits.

New Construction

Between 1995 and 2002, 27 projects were built in the C2 zone on 31 acres of land, or 3.1% of all commercially-zoned land. Of these projects, 21 were commercial-only projects, the rest were a mix of residential and commercial uses. The smallest commercial project was an 1800 square foot warehouse building in the Interbay area. The largest are office buildings in South Lake Union/west Lake Union, one of which has a gross floor area of over 380,000 square feet. These projects, built on steep hillsides in 65 foot commercial areas, achieve 7 FAR. The least dense new project was a service garage on Rainier Avenue S. Mixed-use buildings range in size from 2 to 60 units with 1,500 to 5,000 square feet of commercial space.

Employment

In 2001, there were approximately 18,000 covered jobs located in the C2 zones, employed by 675 employers (an average of 27 employees per employer). Engineering, accounting and management employment accounted for one out of every six jobs, and over two thirds of the new jobs added between 1995 and 2001. This industry group includes many of the biotech job categories.

Projects built in Commercial 2 zones 1995-2003

	Commercial-Only	Mixed-Use	Residential-Only	All Projects
Number of Projects	21	6	0	27
Commercial Square Feet	2,062,786	26,620	0	2,089,406
Residential Units	0	159	0	159
Parcel Area	1,184,539	168,822	0	1,353,361
Building Density (Gross FAR)	0.8	2.2	0	2.2
Residential Density (SF/Unit)	0	1,062	0	8,512

G. Vacancies in Seattle's Business Districts

Seattle's neighborhood business districts provide a wide range of environments, spaces and customer bases for commercial endeavors. Allowing for some vacancy in these areas is important. Without vacancies, there are no opportunities for new businesses to serve emerging markets, or serve existing markets better. However, large amounts of vacancies hurt a business district by creating gaps in the street front, reduce the impetus for property owners to invest in their property, and discourage new businesses.

A general rule of thumb is that a vacancy rate between 3 and 7 percent provides a healthy balance between opportunities for new businesses and keeping commercial spaces occupied. However, because neighborhood business districts often have unique spaces and unique markets, business districts that have a slightly higher vacancy rate, may still be healthy.

A survey of conditions in six neighborhood business districts in the summer of 2004 indicated that in some neighborhoods, street level vacancies are higher than would be optimal. Vacancy rates for storefronts ranged from a low of 6% in Admiral and 8% in Greenwood/Phinney Ridge business district to a high of 15% in Lake City and Columbia City. The other two business districts, East Madison and Eastlake, had vacancy rates of 12% and 13%, respectively.

The vacancy rate for office space has been higher than the rate for retail space across the region since 2001.¹ Currently, the vacancy rate in Seattle's neighborhood business districts is above 13.3%, lower than the regional 15.3% rate, and slightly lower



than the downtown rate of 13.5. Office vacancies are lower north of the Ship Canal, with a rate of 8.75%. South of the Ship Canal, the rate is 17.5%. This comparatively high rate reflects some new buildings that have been completed since the downturn in the local office market began in 2001.

In addition to vacancies within existing buildings, vacant and underutilized lots provide space for businesses to grow. Seattle has approximately 2,800 commercially-zoned parcels that are currently vacant, have very small structures compared to what could be built under current zoning, or are old and poorly maintained. These sites could accommodate 56 million square feet of commercial space (enough space for another 187,000 jobs), and 51,000 housing units. This capacity is split fairly evenly between auto-oriented and pedestrian-oriented areas, with just over half of potential jobs and 55% of units possible within the pedestrian-oriented commercial zones. These sites are spread throughout the city.

¹ CBRE Puget Sound Market Retail and Office Market Index Briefs, Q4 2003